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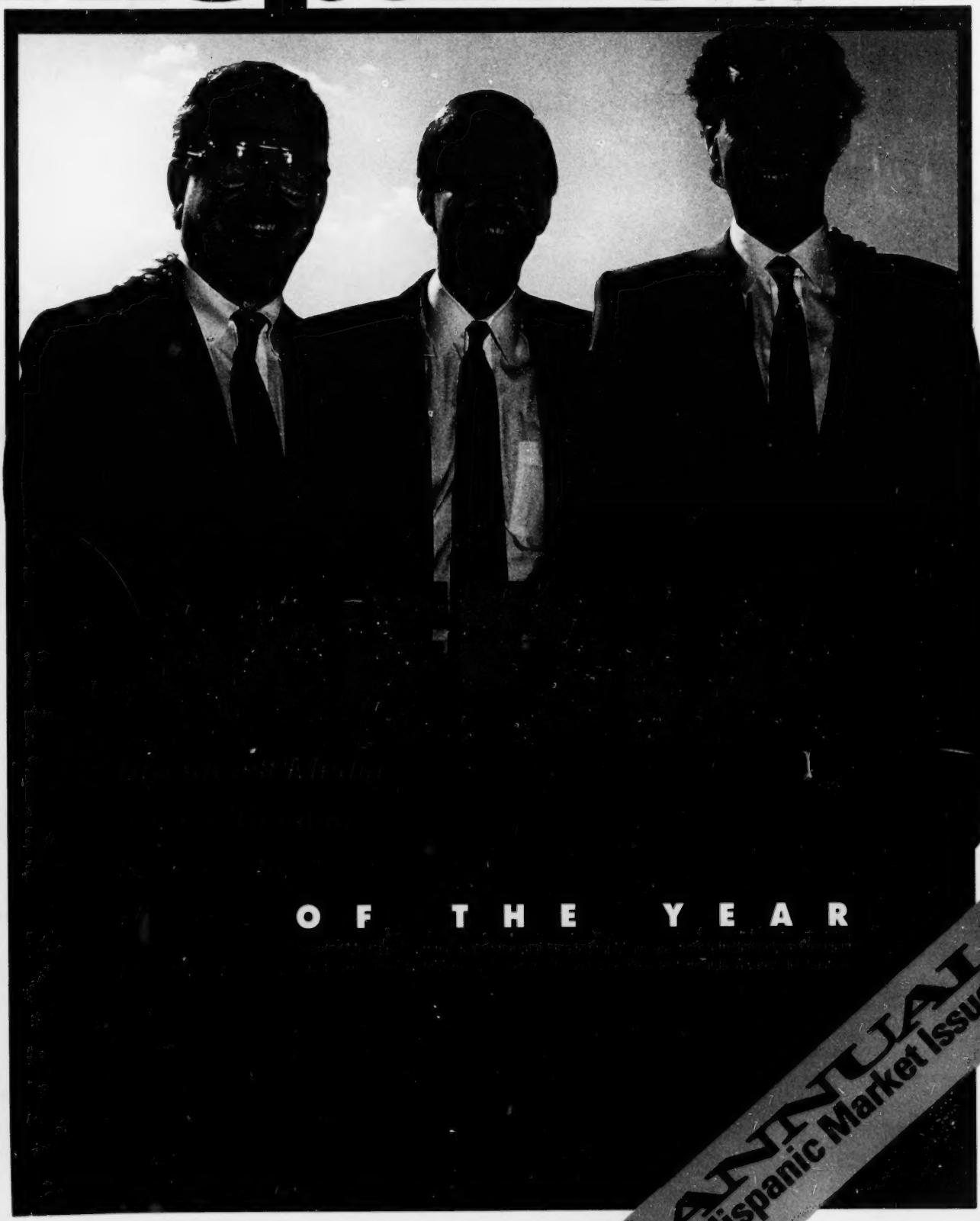

OF THE YEAR

ANNUAL
Hispanic Market Issue

HispanicBUSINESS®

The magazine for growth companies and ladder-oriented professionals

December 1989 Volume 11, Number 12

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Photo by Lynn Parks. This month's cover design by Buffalo Brothers Studios West.

VERIFIED AUDIT CIRCULATION

DIRECTLINE

This is how they think—the media deal makers. First get investors for your media venture, they say—the advertising dollars will come later. They had better be right.

Our survey of the U.S. Hispanic market shows that investors continue to pour capital into Hispanic media—from $70 to $100 million in 1989 just for the big headline deals—even though ad spending was virtually stagnant at a weak 6 percent growth rate.

The deal makers say the normal market dynamic is for media investments to head north before ad dollars. We think they are right—but from a long term perspective—and not because of the near term "market data" being touted by general market voices like *Time*, *Newsweek*, and *U.S. News & World Report*. These media continue to banner exaggerated movement in Hispanic-targeted advertising. For example, the October issue of *Inc.* magazine assured us of a 40 percent annual jump in Hispanic advertising expenditures "for the next five years"—without citing a source for the information.

That simply is not happening. Bill Grimes, chief of Univision Holdings, perhaps said it best: "This is not a get-rich-quick market."

The investments being made are impressive. Consider the appearance of *Más*, the slick new Univision magazine. Or the management-led purchase of Gannett's New York paper *El Diario-La Prensa* by Publisher Carlos Ramirez and investor-associates Peter Davidson and Rupert Phillips. Or the recent eight-figure buyout of the DeArmas Publishing Group to form America Publishing Group, Inc. This purchase by Madrid-based Grupo Anaya completes a publishing and distribution network that covers every Latin American country, the United States, and Spain.

And consider the biggest media deal of the year—Tichenor Media System's joint venture with Radio WADO to buy Miami's *la cubanisma* WQBA-AM/FM for $32.7 million. And finally, consider the many recent ownership changes in our Hispanic ad agencies, and the Telemundo/Univision joint investment of $18 million to gain A.C. Nielsen ratings for the Hispanic television market. All of these activities are the reverberations of expected ad spending growth.

But where are the advertisers now? They're not moving. Only one major advertiser continues to increase its advertising presence in the Hispanic market—Procter & Gamble. P&G is known worldwide for its shrewdness in marketing and selling its products, and for its frugality in making social investments in the markets it exploits. P&G's $30 million investment in 1989 ensured it an iron grip on the number one position among the Top 50 Hispanic Market Advertisers.

And, while Philip Morris Cos. decreased its presence in the market by more than $4 million, RJR Nabisco—leveraged to the hilt—dropped off the Top 50 altogether.

Despite the foot dragging in ad spending, all those media investors are not dumb. Guided partly by instinct and relying on their own careful studies of the indicators, they are positioning their equity for long-term growth.

So, yes, the market *is* hot and it has been another year of phenomenal growth—maybe not in ad dollars, but certainly in investment capital.

This issue examines it all. Power on.

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HISPANIC BUSINESS published monthly by Hispanic Business, Inc., 360 S. Hope Ave., Ste. 300C, Santa Barbara, CA 93105, telephone (805) 682-5843, fax (805) 687-4546. ISSN 0199-0349. One year subscription price $18. Single copies $2, except for June, $3.50. Foreign subscriptions: Mexico $27, worldwide $34, payable in advance. Second class postage paid at Santa Barbara, CA 93102, and additional mailing offices. POSTMASTER: Send changes of address to HISPANIC BUSINESS, P.O. Box 874, Farmingdale, NY 11737-0001.

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MARKETING

The Hispanic Market's Leading Indicators

By D. Carlos Balkan

For the first time since this magazine began to track Hispanic market ad expenditures, growth slowed this year to a single digit. Total ad expenditures increased by only 6 percent, from $550 million last year to $583 million.

The main explanation for this flattening growth rate is a seeming $11 million decline in television ad spending—from $251 million last year to $240 million in 1989. This apparent decrease actually reflects a one-time correction and improvement in the data gathering process.

Total radio expenditures on the other hand continued to show double-digit growth, increasing by 13 percent—from $176 million to $200 million. Indeed, radio was the big story in 1989, and the string of major deals done in this industry over the past two years shows no sign of abating.

Expenditures in other media showed a slight upturn, but nothing to get excited about. The biggest news regarding the top 50 advertisers in the Hispanic market is Procter & Gamble Co.'s growing grip on the number one spot. P&G's ad expenditures—for 30-plus brands—increased by about one-third, to almost $30 million. By contrast, although Philip Morris Companies, Inc. remained number two in the top 50, this company reduced its advertising to Hispanic consumers by one-third, and RJR Nabisco, which was number 47 last year, fell off the chart in 1989.

For the most part the remainder of the lineup shows no surprises. The list, which includes companies spending $1 million or more, remained unchanged at 50. Accounts falling out of the top 50 include Scott Paper, Eastern Airlines, and Bristol-Myers, and a few companies placed on the list for the first time—including Quaker Oats, which took 18th place, and Nestle Foods Corp., which is number 34.

Three of the top 50 advertisers are not companies at all but government agencies: the U.S. Army, the U.S. Post Office, and the California State Lottery.

And (at press time) several of the leading Hispanic market advertisers are actually subsidiaries of other corporations. Kinney Shoe Corp. is a subsidiary of F.W. Woolworth Co. Another shoe company, Payless Shoesource, is an operation of Volume Shoe Corp., which in turn is a division of the May Department Stores Company. Burger King was recently acquired by Grand Metropolitan Plc., a British firm. American Airlines is owned by AMR Corp.; Miles Laboratories is a subsidiary of Bayer AG; Nestle Foods Corp.

The 50 Leading Hispanic Market Advertisers—1989

Rank	Company	Media Expenditures ($M)	Rank	Company	Media Expenditures ($M)
1	Procter & Gamble Co.	$29.3	26	H.J. Heinz Co.	1.8
2	Philip Morris Cos.	8.6	27	General Mills	1.7
3	Anheuser-Busch Co.	8.4	28	J.C. Penny Co.	1.7
4	Colgate-Palmolive Co.	7.8	29	American Airlines, Inc.	1.6
5	McDonald's Corp.	6.9	30	Campbell Soup Co.	1.6
6	Coca-Cola Co.	6.0	31	Hershey Food Corp.	1.5
7	Adolph Coors Co.	5.2	32	Miles Laboratories, Inc.	1.5
8	Ford Motor Co.	5.0	33	Payless Shoesource	1.5
9	Johnson & Johnson	5.0	34	Nestle Foods Corp.	1.4
10	Sears, Roebuck & Co.	4.6	35	Sterling Drug, Inc.	1.4
11	Burger King Corp.	4.5	36	S.C. Johnson & Son, Inc.	1.3
12	AT&T	3.8	37	Jack in the Box	1.2
13	Pepsico, Inc.	3.8	38	Pacific Bell	1.2
14	American Home Products	3.7	39	Chrysler Corp.	1.1
15	Goya Foods, Inc.	3.3	40	Clorox Co.	1.1
16	Warner-Lambert Co.	3.3	41	Toys R Us, Inc.	1.1
17	CPC International	3.0	42	AMTRAK	1.0
18	General Motors Corp.	2.8	43	Beatrice Co.	1.0
19	Quaker Oats Co.	2.8	44	CA State Lottery	1.0
20	Ralston Purina Co.	2.6	45	Eastman Kodak Co.	1.0
21	Toyota Motor Corp.	2.6	46	K Mart Corp.	1.0
22	Lever Bros. Co.	2.5	47	Kimberly Clark Corp.	1.0
23	U.S. Army	2.4	48	Maybelline Co.	1.0
24	Kinney Shoe Corp.	2.0	49	Polaroid Corp.	1.0
25	Mars, Inc.	2.0	50	U.S. Post Office	1.0

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Hispanic Market Advertising Expenditures

Medium	Expenditures ($M)
National TV	$119.5
National Radio	51.5
Local TV	120.5
Local Radio	149.3
Independent TV	2.1
Print	57.2
Outdoors	17.3
Promotion	61.6
Transit	4.6
Total	$583.6

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is the American subsidiary of the Swiss-owned Nestle S.A.; Eastman Kodak Co. owns Sterling Drug, Inc.; Schering-Plough owns Maybelline Co.; Pacific Bell is part of Pacific Telesis Group; and Foodmaker, Inc. does business as Jack in the Box.

While our leading indicators are approximations filtered through a network of sources, mostly in the media, each of our annual efforts to generate the estimates has enhanced their reliability. Our figures for the top 50 Hispanic market advertisers and for Hispanic market expenditures by medium represent largely net advertising space and time costs. Similarly the dollar figures for the top 10 Hispanic media markets refer for the most part to net time and space costs.

D. Carlos Balkan is a freelance writer based in Santa Barbara, California.

The Leading Hispanic ADIs — 1989

Rank	Market	Expenditures in $M by Medium: TV	Radio	Print	Total
1	Los Angeles	$79.0	$35.9	$16.2	$131.1
2	Miami	43.0	33.1	16.4	92.5
3	New York	49.5	25.5	15.4	90.4
4	Chicago	16.0	13.5	1.1	30.6
5	San Fran/San Jose	14.9	9.5	0.4	24.8
6	San Antonio	9.2	10.1	0.5	19.8
7	Houston	9.0	9.5	0.4	18.9
8	San Diego	6.0	6.0	0.3	13.1
9	Phoenix	5.2	5.5	0.2	10.9
10	El Paso	3.1	6.5	0.2	9.8
Totals		$235.7	$155.1	$51.1	$441.9

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Market Demographics — 1988

Purchasing Power by Market

	Hispanics	Blacks	Whites
Household Money Income			
Aggregate total ($B)	$160	$243	$2,853
Median Income	$20,359	$16,407	$28,781
Mean Income	$25,993	$22,477	$35,468

The aggregate total income for Hispanics rose from $140.5 billion in 1987 to $160 billion in 1988. In addition, the number of Hispanic households increased from 5.69 million to 5.91 million. According to the Census Bureau, over 1 million of these households maintain an income of $40,000 or more, and 210,000 have an income of $75,000 or more annually.

Percent of Total Population by Special Characteristics

	Hispanics	Blacks	Whites
By Residence			
Metropolitan Areas	92%	83%	76%
(Central City)	53%	57%	25%
(Suburbs)	39%	26%	51%
Nonmetro Areas	8%	17%	24%
By Region			
Northeast	18%	16%	21%
Midwest	7%	19%	26%
South	32%	56%	33%
West	43%	9%	20%
By Sex			
Family Households	82%	70%	71%
(Married Couple)	57%	35%	59%
(Male No Wife)	19%	4%	3%
(Female No Husband)	5%	31%	9%
Nonfamily Households	18%	30%	29%
(Male Nonfamily)	10%	14%	13%
(Female Nonfamily)	8%	16%	16%

	Hispanics	Blacks	Whites
By Size of Household			
2 Persons	26%	34%	43%
3 Persons	25%	26%	23%
4 Persons	24%	20%	21%
5 Persons	14%	12%	9%
6 Persons	6%	4%	3%
7 Persons	5%	4%	1%
By Age (Head of Household)			
15-24	9%	8%	4%
25-34	31%	28%	22%
35-44	25%	26%	25%
45-54	15%	15%	17%
55-64	11%	12%	15%
Over 64	9%	11%	17%
By Education (Head of Household 25 years or older)			
High School Grad Only	27%	36%	37%
At least 1 Year of College	23%	28%	41%

Source: Unprinted current population survey data from the U.S. Census Bureau (Series P-60) and advance data from the March 1988 Current Population Survey. Reprinting or copying all or any part of this information requires written permission from Hispanic Business, Inc.

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New Leading Indicator: Broadcast Media Effectiveness

HISPANIC BUSINESS is reporting on an additional leading indicator for the Hispanic market this year—broadcast media effectiveness, or coverage. Our report on media effectiveness identifies the top 10 areas of dominant influence (ADIs) in the country in terms of media coverage.

The media effectiveness quotients we developed to determine the top 10 ADIs represent the number of Spanish language radio and television broadcast hours available each week, divided by the individual ADI's Hispanic population in thousands.

The ADIs that we used were developed by Arbitron, Inc. for the television market. Each of these 205 ADIs represents a county, group of counties, or group of ZIP codes within a major metropolitan area.

Our analysis showed that San Diego leads the nation in media effectiveness, and two other ADIs along the U.S.-Mexico border—El Paso and San Antonio—follow in second and third places. The nation's largest cities are farther down on the list, with the biggest Hispanic markets—Los Angeles and New York—placing eighth and tenth.

This ranking reflects the activities of both U.S. and Mexican broadcasters along the border, which provide many times more Spanish media coverage to their viewers and listeners than do broadcasters in the major population centers.

Clearly there is considerable potential for greater media effectiveness in these large U.S. cities.

Media Effectiveness

ADI	Hispanic Pop. (in 000s)	Media Coverage (Hrs/week)	Effectiveness Quotient
San Diego*	400	1,799	4.49
El Paso*	481	1,712	3.55
San Antonio*	856	2,169	2.53
Phoenix	371	780	2.10
Miami	834	1,538	1.84
Houston	712	1,260	1.76
San Fran/ San Jose	814	893	1.03
Los Angeles	3,734	2,188	0.58
Chicago	751	503	0.67
New York	2,438	951	0.39

* Includes stations in Mexico.

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MEDIA deal OF THE YEAR

With recent acquisitions in Miami, the Tichenor network consolidated its dominance of Hispanic radio.

By Joel Russell

The landscape is changing in Spanish radio," says McHenry Tichenor, Jr., a gentlemanly Texan whose family has been in Spanish radio since 1949. "For a while there was SBS [Spanish Broadcasting System], which was in the three big markets, and us [Tichenor Media System], who had the heartland, and Lotus. Now Cecil Heftel is putting a group together, and I hear rumblings of others putting groups together. That's going to change the way Spanish radio is done in this country."

Indeed, in a business where stand-alone stations are the norm, the formation of station groups, "networks," and affiliations is changing the structure of the industry. Since 1987 the price of Spanish radio properties has skyrocketed; complicated deals have created mergers, spin-offs, and debt-leveraged buys. And this in turn has shifted alliances among national radio reps and research companies, and even affects the music that Hispanics hear as they drive to and from work.

In August Mr. Tichenor's company made the biggest Spanish media deal of the year. First, it negotiated a joint venture that gave it 50 percent ownership of WADO-FM in New York. Then WADO and Tichenor paid $32.7 million for WQBA AM/FM in Miami. What's next? "We are probably going to digest Miami and New York for a while," says Mr. Tichenor. Then he plans to buy more stations.

He is not alone. Last year SBS paid $55 million to acquire WEVD-FM in New York.

The Tichenor team huddle: (from left) McHenry Tichenor, Julio Mendez, station manager, WQBA-AM and FM, and Warren Tichenor, vice president/general manager WQBA AM and FM. Photo by Lynn Parks.

The same week that Tichenor announced the WQBA deal, Heftel Broadcasting merged with Mambisa Broadcasting to form a station group called Viva America. Industry players agree that the stampede to buy will continue until each group can plug holes in its coverage. Tichenor dominates Texas and Chicago, but lacks California. SBS, the only group with AM/FM combos in Los Angeles, New York, and Miami, has no stations outside those markets. Viva America has a strong presence in Los Angeles, San Francisco, and Miami, but not New York.

Broadcasters who aspire to acquire properties are hungry for stations in the top Spanish markets. The numbers tell why. This year advertisers spent approximately $201 million on Spanish radio. The top 10 markets accounted for 75 percent of total expenditures, or $155.1 million. More than half the money spent on Spanish radio was concentrated in four markets—New York, Los Angeles, Miami, and Chicago. "It's bottom-line dominance. The more markets you dominate in the top 15 markets, the bigger your company will be," says Gene Bryan, sales manager at Katz Hispanic Radio, a national rep firm.

Outside of the top 10 markets, Spanish stations are still owned on an individual basis. But aside from bigness for the sake

The Price Tag OF THE YEAR

On August 8 Tichenor Media System and Radio WADO, Inc. announced their agreement to purchase WQBA-AM/FM in Miami. The total price tag was $32.7 million. The sale was the largest media acquisition of the year in the Spanish market.

The transaction was quite complicated. A broker first contacted Tichenor about WQBA two years ago. Susquehanna Broadcasting Co., which owned WQBA, wasn't ready to sell, but the broker thought he could swing a deal for the right price. The plan stagnated, and in the meantime Tichenor began talking with WADO-AM in New York about an affiliation of some sort. The owners of WADO—Andrew, Tony, and Mark Blank; Louis Wolfson III; and General Manager Herb Levin—had been involved in broadcasting in Miami before they bought WADO in 1987. Mr. Levin is the former general manager of WQBA in Miami. Personalities aside, there is "a certain synergy" between the Miami and New York Spanish radio markets, notes McHenry Tichenor, Jr., president of Tichenor Media System.

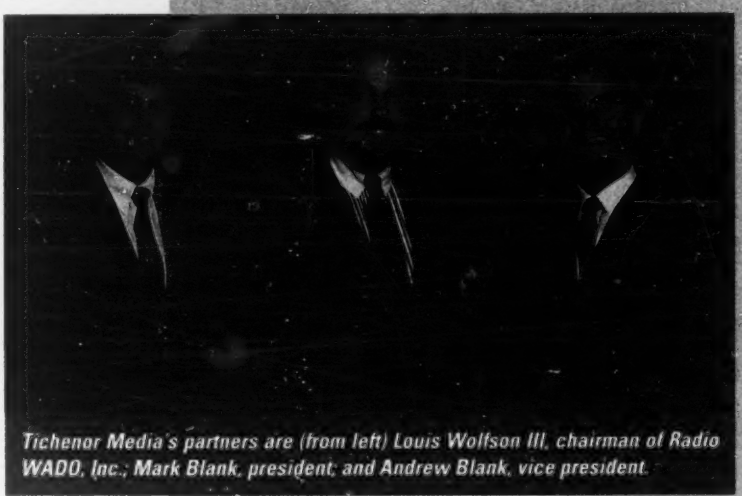
Fortuitously, two deals came together at the same time. First, WADO and Tichenor formed a 50-50 partnership, with each partner contributing about $10 million in equity. Radio WADO's contribution was WADO-AM.

The partnership then made a deal to buy WQBA—paying approximately 50 percent of the price in cash and the other 50 percent in bank notes. The price includes $25.7 million for the radio operation and $7 million for the building where WQBA's studio and offices are located. The debt arrangement is still in negotiation, with several banks in the running, Mr. Tichenor says. No investment banker was involved in the transaction, and Mr. Tichenor himself negotiated the deal. As part of the partnership agreement, Tichenor will operate and manage WADO-AM and WQBA-AM/FM.

The package still requires FCC approval. One of Tichenor's first moves will be to sell the WQBA building. "We don't want to be in the real estate business," he explains.

The change in ownership has a ripple effect in the radio rep industry. Because all Tichenor properties are repped by KATZ Hispanic Radio, the partners' stations will switch to KATZ from Caballero Spanish Media. While refusing to discuss dollar figures, KATZ's Gene Bryan admits that the new stations will make a "hefty" contribution to the firm's bottom line. "There's no doubt that KATZ will benefit heavily from the acquisition," he says. On the flip side, Caballero looks likely to gain two Miami radio stations, WAQI-AM and -FM, as part of a joint venture with ties to the Caballero group.

Mr. Tichenor says that the partnership will probably purchase the additional stations needed "to fill out the complement of stations in the top 10 Hispanic markets, particularly Los Angeles and San Francisco."



Tichenor Media's partners are (from left) Louis Wolfson III, chairman of Radio WADO, Inc.; Mark Blank, president; and Andrew Blank, vice president.

of bigness, the repercussions of consolidated ownership depend on the new owners. In Tichenor's case, a new management system is a key ingredient. WQBA previously belonged to Susquehanna Broadcasting, an English language station group. WQBA's General Manager George Hyde, whom one Tichenor executive called "a Susquehanna element," has announced he will leave the station to take another job. His replacement will be a Tichenor person. Tichenor works with a "management by objective" methodology, which it plans to apply to WQBA and WADO. Aside from Mr. Hyde, however, no personnel changes are on the table. Herb Levine, the general manager of WADO, is a well-respected Spanish broadcaster and part owner of the station.

Plans are to make both new Tichenor stations lean and mean. At WADO, Ricardo Alvarez del Castillo, Tichenor's vice president of operations, plans to consolidate the studios, now located in New Jersey, and the sales office, now in New York. Despite the expense of renting studio space in Manhattan, the station will reap the benefit of on-the-spot interaction between the sales, traffic, and production departments. In Miami the building in which WQBA is located has an estimated value of at least $4 million. It will be sold to free up money for broadcast investments as soon as the new space is rented, Mr. Castillo says. Tichenor will retain a lease of the broadcast and production studio, which is a state-of-the-art facility designed especially for station WQBA.

Tichenor currently owns or controls 12 stations, twice as many as anyone else in Spanish broadcasting. With New York and Miami in hand, it has outlets in six of the top 10 markets. The last frontier is California, whose three top markets had combined billings of $51 million in 1989. "We are always ready to get into the Los Angeles market," says Mr. Castillo. "We're [also] interested in expanding our stations in Houston and San Antonio. We only have AM stations there. We are interested in acquiring FM stations so that we don't have stand-alones, only combos, in all of our markets."

The broadcaster with the most Spanish stations after Tichenor is SBS, with six. The difference is that SBS owns combina-

TOP 10 BILLING STATIONS

	Stations	Billings ($ M)
1.	KLVE (FM)/KTNQ (AM) Los Angeles	$17.5
2.	WCMQ (AM&FM) Miami	11.5
3.	WQBA (AM&FM) Miami	10.0
4.	WIND-WOJO (AM&FM) Chicago	10.0
5.	WSKQ (AM) New York	9.0
6.	KWKW (AM) Los Angeles	8.1
7.	WADO (AM) New York	6.0
8.	KSKQ (AM) Los Angeles	5.5
9.	WAQI (AM) Miami	5.0
10.	KALI (AM) Los Angeles	4.0

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Source: Original research by HISPANIC BUSINESS.

NATIONAL MARKET SHARE

Company	Market Share
Caballero	41%
Katz Hispanic Radio	29%
Spanish Broadcasting System	19%
Lotus Hispanic Reps	11%

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tion AM/FM stations. This allows it to grab two audiences in the big, lucrative markets. FMs typically attract young listeners, the segment that advertisers most want to reach. Research shows that SBS has indeed successfully differentiated two audiences in the Spanish market.

"People have watched what I've done and now they are trying to do it too," says Raul Alarcon, Jr., president of SBS. "They started at the lower end and they're buying up. I started at the high end, so that I can cherry-pick markets and properties now. All things considered, I've made a very good investment in radio."

Eduardo Caballero, president of Caballero Spanish Media. Like Don Quixote he will "continue to fight against the giants."

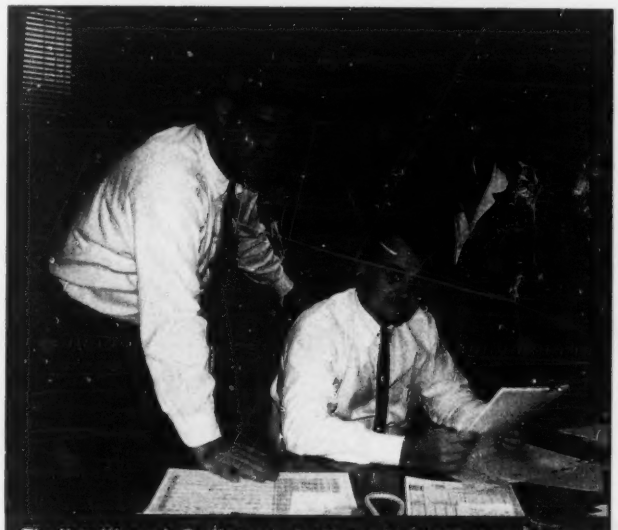
So far most of the investment has been with other people's money. Mr. Alarcon's debt burden was reported in *Advertising Age* at about $118 million. Although his FM station in New York has been a success from day one, interest never sleeps. "There's been a lot of speculation about my debt scenario," responds Mr. Alarcon. "I let everybody talk. Do I have debt? Yes, of course I do. I bought a $55 million station. By the way, it's doing gangbusters."

Mr. Alarcon made a bid of more than $30 million for WQBA, which included a special minority tax certificate worth another $3 million. He was rejected, he says, because he already owns stations in Miami, and FCC rules would require him to "spin off" one AM and one FM. He remains undaunted, saying that SBS is looking to expand beyond radio. The company already has its own rep firm, a promotion firm to organize concerts and events, and a supermarket merchandising plan. Now he wants to try syndication and television. Mr. Alarcon is working on "a big surprise" for early next year that should ease the debt service, he says.

Viva America, the newest station group formed through the merger of Heftel Broadcasting and Mambisa Broadcasting, dominates the Los Angeles market with KTNQ-AM and KLVE-FM, the biggest billing combo in the United States ($17.5 million). Viva America owns four stations in three markets. Co-owner Mr. Heftel is actively pursuing a New York property. That would allow Viva America to duplicate SBS's offering of New York-Los Angeles-Miami media placements, a common strategy among Hispanic media buyers.

The advantage gained by all this merger and acquisition activity remains unclear. Conventional wisdom holds that the chemistry of each radio market is unique, and programming decisions cannot be generalized. "There's a lot of talk about networks in Spanish these days. We don't see our group as a network in the classic programming sense," notes Mr. Tichenor. "We let each station develop its own personality, because the markets are all different...We are more interested in building the group because Spanish radio is what we know how to do, not because the addition of Miami or New York is going to make a difference in a network lineup."

National radio reps, who place national ads with local stations, agree. "Spanish radio is on a market-by-market basis," says Mr. Bryan of Katz. "You can't put Spanish radio into one format because of the geographical and cultural differences among the different Hispanics in the United States. That's why an all-music format to appeal to all Hispanics throughout the U.S. has not succeeded in the past," he continues.

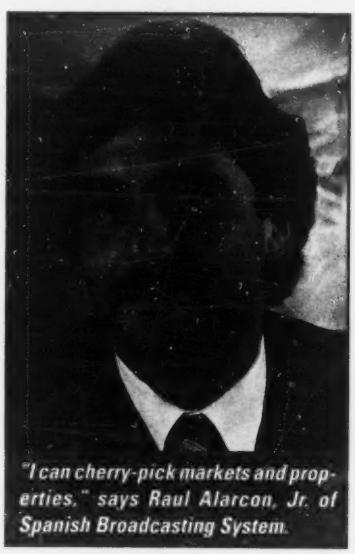


The Katz Hispanic Radio team plot their advertising strategy: (from left) Gene Bryan, vice president, national sales manager; Stu Olds, president; and Janet Therrien, associate research director.

"You don't run the same program in San Antonio that you run in Corpus Christi, and they're only 100 miles away," says Eduardo Caballero, president of Caballero Spanish Media (CSM), another rep firm. "I haven't seen any network programming succeed in this country."

The exception to the rule is SBS. A pioneer in developing the "international sound" in New York, SBS has exported the concept to Miami and California. Regardless of the market, ballads by artists such as Julio Iglesias and Jose Luis Rodriguez make up about 60 percent of the play list on an SBS station, according to Tony Campos, programming director for SBS. The other 40 percent varies from station to station, market to market. Mr. Campos's formula blends music oriented to the local market and the international sound. In Los Angeles, for example, he looks for songs that lend a Mexican flavor, such as Mexican groups with a tropical sound, rather than a ranchera style. SBS foresees that the news/talk format will gain popularity, but the company is nonetheless committed to the international format, Mr. Campos says. As the company acquires new stations, the same music mix will be applied to new markets.

Changes in ownership have caused a hat dance of shifting alliances among national reps. When Tichenor bought an interest in WQBA and WADO, both stations were represented by CSM. But Tichenor properties are repped by Katz, and Mr. Tichenor has announced his intention that WQBA and WADO switch to Katz. The loss would be a blow to CSM, the company that established Spanish radio on a national basis. The Viva America deal brings together CSM-repped KTNQ-AM/KLVE-FM and the Katz-repped WAQI AM/FM.



"I can cherry-pick markets and properties," says Raul Alarcon, Jr. of Spanish Broadcasting System.

Historically, the growth of station groups has paralleled the division of the national rep pie. In 1986, Caballero dominated the radio market. Then Katz, a former client, decided to become a competitor. Katz opened its door to rep the seven properties Tichenor owned at the time. And finally SBS bolted by creating its own in-house rep firm. Today, Katz and SBS rep 40 stations between them. Mr. Caballero notes that the symbol of his company is Don Quixote, and it will "continue to fight against the giants."

Competition should remain stiff, because the growth in radio ad spending has slackened, Mr. Caballero says. He attributes this to Spanish television expansion. Start-up television outlets (new stations and networks) have a tough time filling commercial slots, and are forced to undercut rates. Mr. Caballero says that in some markets advertisers can buy a 30 second television spot for the same price as a 30 second radio spot. "That's happening at the local, national, and network levels."

Against the threats of television, low rates, and new advertiser skepticism, radio has one hope: better numbers. "We all scream that Spanish radio is as good as television, but when you go to the numbers, they don't reflect it," says Mr. Bryan of Katz, "Agencies are going to demand more and more research."

"As an industry, Spanish radio is underpriced compared to the general market," says David Lykes, who is the vice president of sales at Tichenor. "The reason is that historically there has been a lack of reliable research to substantiate the audience. As research improves, the advertising rates will rise."

But, as Mr. Tichenor himself observes, "It's easy to say that you want better numbers, and hard to get them. To do it right in the Spanish market would be very expensive. There just aren't enough people to split the cost."

Two rating methods serve the industry. Arbitron uses a seven-day diary which is mailed to listeners' homes. Hispanic respondents are sought in proportion to their population in the market. Birch Radio uses a telephone interview methodology in the top 16 Spanish markets. Both services are trying to improve. Birch has fine-tuned its methodology to conform to recommendations of the Spanish Radio Advisory Council, a group of industry leaders. Arbitron plans to combine several surveys in order to give a larger sample size of Spanish listeners. But, Mr. Caballero says, "By the time the numbers are published, they might be obsolete."

One set of numbers that will affect Spanish radio for the next decade is the 1990 Census report. "Spanish media should concentrate on promoting the Census among our constituency," says Mr. Caballero. "We have a lot of hopes for what will come out of it."

account$, billing$, and top dog$.

A YEAR OF CHANGE TRANSFORMS HISPANIC AD AGENCIES

by Rick Mendoza

A year of unprecedented change has turned the world of Hispanic advertising agencies upside down. After a quiet period of steady growth, many of these companies have either recently merged or been acquired by major mainstream agencies. Their clients meanwhile are playing musical chairs.

To understand the turmoil in this newly volatile arena, HISPANIC BUSINESS identified the 20 agencies now handling the greatest amounts of Hispanic advertising. Our survey of business and ownership for the "top 10" billers in this group provided some surprising results.

The rapid growth of Sosa & Associates in San Antonio—whose billings now rival those of long-time leader Mendoza, Dillon & Asociados of Newport Beach, California—was such a surprise that several competing agencies found the numbers hard to accept. Sosa, which is the only top 10 agency not located on one of the two coasts, had capitalized billings of $53.5 million in its fiscal year ending June 30. Sosa substantiated this total by providing comprehensive details in confidence to HISPANIC BUSINESS.

The nature of Sosa's business changed dramatically this year as it took on the national accounts of several major clients. In past years its billings had been mostly regional and went largely unnoticed. "Before this year 60 percent of our billings were for regional assignments," says Lionel Sosa, president of Sosa & Associates. "This year it flip-flopped so that our national business is probably 85 percent now."

Sosa was also the winner in some of the year's biggest client shifts, which represent considerable additional billings not reflected in the company's statement for its last fiscal year. Sosa picked up the national Hispanic marketing business of both Burger King and Coca-Cola USA from Castor GS&B (which as Castor Spanish International had handled the Coca-Cola USA account since 1983). The Burger King coup was to some degree related to Sosa's planned affiliation with D'Arcy Masius Benton & Bowles USA (DMB&B), which is Burger King's general market agency. "They introduced us to Burger King," says Mr. Sosa.

Mendoza, Dillon, which had an outside accountant certify its billings, reported $48.6 million for the most recently completed fiscal year. Since this report was for calendar year 1988, the company's figures are not strictly comparable with Sosa's. Both Mendoza, Dillon and Sosa are projecting sizeable increases for this year.

Castor GS&B is the third agency near the top of the chart. But unlike the other two leaders, Castor GS&B did not respond to repeated requests for substantiation of its numbers. Analysis of these numbers is complicated because the firm is a new one, born of a merger this year between two Hispanic firms, Castor Spanish International (CSI) and Garcia-Serra & Blanco (GS&B). "Castor" is Castor Fernandez, the chairman and top salesman; "Garcia-Serra" is Al Garcia-Serra, the CEO and strategic marketer; and "Blanco" is Julio Blanco, the creative talent.

Earlier this year HISPANIC BUSINESS reported data provided by CSI and GS&B individually (see "Strength in Numbers," September 1989). These numbers indicate combined billings of $52.6 million, which is close to the total billings of $55 million the company claimed in response to our survey. Because only 80 percent of Castor GS&B's business is in the Hispanic marketplace, the resulting figure of $44 million places it third in our ranking. And although Castor GS&B lost

Lionel Sosa (seated) meets with his associates (left) Al Aguilar, vice president, account management, and Ernest W. Bromley, executive vice president.

the Coca-Cola USA and Burger King accounts this year, it gained a biggie when it won McDonald's from Conill Advertising. *The U.S. Hispanic Report* had called this "the year's biggest coup," but that was before Sosa snatched away the Coca-Cola and Burger King accounts.

When HISPANIC BUSINESS asked some of the top 10 to review and comment on our preliminary survey of their competitors' billings, we were surprised to learn the degree of uncertainty and lack of credibility that the figures engendered. Almost every agency came in for criticism from its peers for "exaggerating" the numbers. "The degree of credibility with billings," says one CEO who requested anonymity, "is very low, and unfortunately [that is] justified. People do blow up their billings. It doesn't apply just to the Hispanic market—people blowing up their billings is very much a part of the advertising world."

Another agency head said, "Everybody feels that if they have lots of billings, clients are going to see that and say, 'Hey, this is an agency we should talk to.'" A third CEO said, "They're a lot of clowns in our business. But we don't have any reason to [inflate our billings], because it's not going to give us any more business. I don't care if we are number one or number 10, as long as we make a profit."

Several agency heads expressed appreciation to HISPANIC BUSINESS for insisting on substantiation of their figures. When we circulated our initial, unsubstantiated billing figures, one of these CEOs insisted that we remove his company from the list unless the figures could be checked. He then volunteered to provide a certified statement from his accounting firm if we would require the same from the other top firms. The chief financial officer at another firm even forwarded a copy of its U.S. Corporation Income Tax Return (Form 1120) showing gross receipts (sales). Although requests for such proof initially seemed intrusive to these mostly privately-held firms, in practice there was no better alternative. Subsequently, HISPANIC BUSINESS did request each of the agencies to certify its data. Five complied with the request.

In this sea of mutual suspicions one agency stood apart. When asked to comment on Mendoza, Dillon's numbers, peers responded, "Yes—no questions asked," and "Close," and "Still the largest by far—just look at its client list." Mendoza, Dillon was one of the firms that provided either numbers certified by an accountant or a tax return to verify its statements.

In fact, all the top 10 agencies cooperated with HISPANIC BUSINESS by providing information in one form or another. And only one of the 20 agencies initially surveyed—La Agencia de Orci & Asociados—refused to provide billings, revenue, or the names of its top three clients. "Our confidentiality policy does not allow us to supply the data you desire," wrote President Hector J. Orci. Nevertheless HISPANIC BUSINESS was able to estimate La Agencia's approximate billings based on other sources of information and determined that it did not rank in the top 10.

For those agencies that did not provide

TOP 10 HISPANIC ADVERTISING AGENCIES • 1989

Name & Location	Percent U.S. Hispanic Owner	Percent Hispanic Ad Billings	Total Actual Billings ($Mil) [a]	Actual Hispanic Billings ($Mil)	Basis Of Actual Billings	Ownership/ Affiliation	Top Three Clients
Sosa & Associates San Antonio	100 [b]	100	53.5	53.5	Sosa & Trinet [c]	DMB&B	GTE-Calif. Anheuser-Busch Coca-Cola USA
Mendoza, Dillon Newport Beach, CA	0 [d]	100	48.6	48.6	CPA	WPP Group	Miller Brewing Johnson & Johnson Sears
Castor GS&B New York	100	80	55.0	44.0	Estimate	—	McDonald's Anheuser-Busch Procter & Gamble
The Bravo Group New York	0	100	34.9	34.9	Estimate	Young & Rubicam	RJR Nabisco Warner Lambert CPC/U.S. Army
Font & Vaamonde New York	51	100	32.5	32.5	Estimate	Grey	Procter & Gamble General Foods Coors
Bermudez Assoc. Los Angeles	100	100	29.6	29.6	CPA	—	AT&T Disneyland Bank of America
Noble y Asociados Irvine, CA	0 [e]	100	24.6	24.6	CPA	—	Procter & Gamble Lenscrafters Campbell's Soup
Casanova-Pendrill Irvine, CA	100	100	23.3	23.3	CPA	—	Calif. Lottery Pacific Bell General Mills
Publicidad Siboney New York	51	100	21.2	21.2	Tax Return & Trinet	Foote, Cone & Belding	Colgate Palmolive Pepsi Cola Bristol Myers
Conill Advertising New York	0	100	20.0	20.0	Estimate	Saatchi & Saatchi	Procter & Gamble Miles, Inc. Toyota, Inc.

(a) Year ends 12-31-88 for Mendoza, Dillon; Castor GS&B; Conill Advertising; The Bravo Group; Font & Vaamonde; and Publicidad Siboney. Year ends 4-30-89 for Bermudez Associates. Year ends 6-30-89 for Sosa & Associates and Noble y Asociados. Year ends 7-31-89 for Casanova-Pendrill. See sidebar for capitalized billings formula. **(b)** Sale of 49 percent pending to D'Arcy Masius Benton & Bowles. **(c)** Trinet Company Database. **(d)** B (non-voting) stock 51 percent Hispanic owned. **(e)** Owner is U.S. resident Mexican citizen.

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substantiation of their billings, HISPANIC BUSINESS developed its own independent estimates based on a variety of criteria. First, we determined at least the top three clients of each agency, and from separate sources obtained the Hispanic market billings of each. This provided an initial check on the billing figures provided by the agencies. Then we took it one step further. Using financial services to which HISPANIC BUSINESS subscribes, we were able to obtain separately the revenues for several of the firms (the direct relationship between revenues and capitalized billings is explained in a sidebar to this article). Although we would have preferred a consistent basis for ranking all the agencies, this task proved impossible, given both the variety of sources required to gather the results and the firms' different fiscal years.

This year the trend toward general-market agency affiliation intensified. Six of the top 10 Hispanic agencies—60 percent—are now affiliated in one way or another with general-market agencies. These are not just any general-market agencies. They are rather the biggest of the big—the smallest among the six agencies with ties to one of the top Hispanic agencies does more than $2 billion in annual billings. All six general-market agencies are themselves in the top 10 of the U.S. market. The largest is the giant WPP Group, which purchased Mendoza, Dillon several years ago. Conill Advertising is owned by Saatchi & Saatchi and Bravo Group by Young & Rubicam.

The other three Hispanic agencies with ties to general-market agencies have retained a degree of independence by keeping 51 percent Hispanic ownership. These agencies are Sosa & Associates, Font & Vaamonde, and Publicidad Siboney.

Mendoza, Dillon's management team are, clockwise from the top, Andrew Sullivan, Robert Howells, Richard E. Dillon, Eduardo Del Rivero, and Deborah Gagne.

However, some major advertisers, including McDonald's Corp., insist that the agency representing them to the Hispanic market have majority Hispanic ownership. Such relationships appear to be a trend within the trend to tie-ins with general-market agencies. Heads of some of the four agencies with no general-market affiliation say they are approached "all the time to sell." It's a question of the right price and controls, some of them say.

"In the beginning nobody paid any attention to this market," one of these individuals reflects. "Now when the budgets are getting up there, they're saying, 'Instead of the budgets leaving my agency, I'll just buy one.' Of course people have been knocking at our door. *Everybody* is having their doors knocked on."

Aside from Mendoza, Dillon, the Conill agency, and the Bravo Group, all the top Hispanic agencies are Hispanic-owned. A spokesperson for Edward J. Noble, Jr., the owner of Noble y Asociados in Irvine, California, says the firm "has nothing to do" with Noble y Asociados Mexico, which Mr. Noble, Sr., founded, but which DMB&B now owns. Mr. Noble, Jr., he adds, is "a Mexican citizen and a legal resident of this country."

Ferrer/Ad America, which ranks in the top 20 Hispanic agencies, also has an unusual form of ownership. "It is unique," comments President Carl Kravetz, "in that it is 50 percent U.S. Anglo-owned [Davis, Ball, and Columbatto] and 50 percent Mexican [Grupo Ferrer]. It is not any part U.S. Hispanic. It's the first Mexican company to export its services, as opposed to goods, to the United States," Mr. Kravetz says.

Ferrer/Ad America may also be unusual in that it is making good use of a public relations firm (Gelman & Gray Communications). Good public relations in publicizing true billing figures seems to be sorely lacking in this branch of the advertising industry. At first this seemed strange, considering how adept these firms are at blowing other people's horns. But the answer to the puzzle probably lies in that rhetorical question first asked more than 400 years ago: "Who is worse shod than the shoemaker's wife?"

PICK ANY NUMBER

Ask advertising agencies what their billings are and—with the rarest exceptions—they will be delighted to tell you. For one thing, it's a simple matter to come up with a number. Any number.

One reason it is hard to get reliable, consistent billing figures is that people use the term "billings" in two different senses. In the narrow sense it means the cost to clients for advertisements that agencies place in the media. The broader meaning, which the American Association of Advertising Agencies (AAAA) calls "capitalized billings," represents both media billings and nonmedia income, such as from promotions.

Most agencies prefer to talk about their capitalized billings for two reasons. In the first place it is the industry standard. It also is a larger figure. So that was the figure we tried to obtain.

It turns out that the amount of capitalized billings is a precise and easy number to get—if you know the agency's revenue. That's because an agency's capitalized billings are a simple multiple of its revenue. However, most Hispanic agencies are privately owned, and like many privately-held companies they freeze up when you ask what their revenue is. Nevertheless, several commercially available data bases to which HISPANIC BUSINESS subscribes provide information on revenue even for private companies.

The AAAA developed the standard multiple of 6.67 times gross income or revenue to facilitate comparisons between agencies with different mixes of income from media and promotion work.

Why 6.67? Because it's the reciprocal of 15 percent; 15 percent of 6.67 is 1.00. That is, the formula is a shortcut treating income from promotions and other non-media work as if it were from media placements, which are generally 15 percent of media costs. If you know the gross income, you can find the capitalized billings by multiplying income by 6.67. Conversely, if you know the capitalized billings, you can find the gross income by multiplying them by .15.

For example, says Don Ambuhl, AAAA senior vice president, "Let's say you have two agencies, and both of them have the same gross income, say $100,000. Agency One does it all in media, and so since its revenues presumably equal 15 percent of media costs, it has billings of $667,000. The second agency with $100,000 of gross income does only about $100,000 in media billings and a lot of work in collateral areas—sales promotions, catalogs, annual reports. Its billings of $100,000 in media mean $15,000 of gross income. The other $85,000 of gross income [comes from fees of] $85,000. But it has exactly the same gross income as the first agency."

WHEELS & DEALS

1990: Luxury Cars-A Buyer's Market

The world's leading car makers position themselves to fight for the U.S. market.

By Laura Clark

If the 1980s were filled with skirmishes between U.S. car makers and their overseas competitors, the 1990s could see a full-scale war. Analysts are predicting that by 1991 new Japanese plants being constructed in the United States will be producing an additional 1.8 million more units each year, and there will be at least 2.2 million more cars in the U.S. market than there are buyers.

American car buyers will find more and more choices in almost every vehicle category, but the most formidable threat to the domestic industry's profitability will be new entrants in the luxury car market. Beginning in the 1990 model year both Toyota and Nissan will offer new upscale car franchises designed to compete with such domestic makes as Cadillac and Lincoln and a host of European nameplates such as Mercedes-Benz, BMW, and Jaguar. These new luxury car introductions will mirror Honda's introduction of the successful upscale Acura franchise in 1986.

This strategy should come as no surprise to anyone watching the U.S. car market. As the Japanese manufacturers saw their profits squeezed in recent years by a rising Japanese yen and continued voluntary quotas on exports to the United States, Honda, Toyota, and Nissan decided to investigate the upscale market, which offered both higher per-car profits and growth in sales volume.

Sales of the sleeker, quieter Lincoln Town Car, the most expensive car in Ford's lineup, are expected to increase to 135,000 units in 1990.

Honda's first Acura brand luxury car back in 1986 was the $30,000-plus Legend sedan. Later the Legend coupe was introduced to expand the line, and the Integra was redesigned in mid-1989 as a 1990 model with many improvements. Acura dealers were selected carefully and required to invest in exclusive showrooms.

In its first year on the market Acura won the coveted number one position in Consumer Satisfaction Index (CSI) ratings compiled by J.D. Power & Associates of Agoura Hills, California, a well-known automotive consumer research firm. The CSI ratings are based on a survey of new car and truck buyers' attitudes about both their vehicles and the dealerships they bought from. Acura subsequently won the award in 1988 and 1989 as well.

Like Honda, Toyota and Nissan intend to produce luxury cars on a par with the best of Europe, and have required their dealers to invest $3 million to $5 million to acquire a franchise, including separate showrooms for the luxury models. Toyota unveiled its Lexus line of cars in January at the North American International Auto Show in Detroit. Then in June the company announced that its top-of-the-line Lexus model, the LS 400, would carry a base price of $35,000—nearly $10,000 less than the base price of a $44,850 Mercedes Benz 300E and $20,000 less than a BMW 735i. An LS 400 with all options would cost $43,300. The less expensive Lexus will be the ES250 sedan, with a base sticker price of $21,050.

Nissan followed the Lexus introduction with the debut of its Infiniti car line in October. Like Lexus, Infiniti has adopted the "lower than Europe" pricing strategy. Its top-of-the-line Q45 sedan carries a base price of $38,000, while the less expensive M30 sports coupe carries a $23,500 base price tag. Both Lexus and Infiniti are backed up by major advertising campaigns. *Advertising Age*, an industry trade publication, estimates that Toyota and Nissan will spend a total of $100 million in advertising to promote Lexus and Infiniti during the 1990 model year.

Just how large is the burgeoning luxury car market? It accounted for 980,000 units or 9.3 percent of total U.S. car sales in the 1988 calendar year, according to the Power researchers. While this segment is expected to shrink to 950,000 units or 9.7 percent of the overall U.S. market in calendar year 1989, much of that decrease can be attributed to a downturn in European luxury car sales. Looking ahead, Power projects that the luxury segment will grow to 1.2 million units, or 10.5 percent of the total car market, by calendar year 1994.

David Whiteside, Power's director of publications, says the firm expects the initial impact of Lexus and Infiniti to be felt

by the domestic auto makers, namely Cadillac, Lincoln, and Chrysler. "The majority of the Lexus and Infiniti buyers in the first year will be first-time luxury car buyers who have owned a Japanese car before," Mr. Whiteside says. "They were more likely to go to a domestic as their first luxury car," he continues, but the new Japanese cars' content and pricing will also give the standard European luxury car makers "a real run for their money."

Power is projecting that the domestic makers' share of the luxury sedan market will drop 9.6 percent by 1992—from 70.5 percent in 1988 to 60.9 percent. By contrast, the Japanese luxury car makers are expected to command a 17.3 percent share of the luxury sedan market by 1992, up from 7.9 percent in 1988, and European luxury sedans are projected to account for 21.8 percent of the market, up slightly from 21.6 percent.

Meanwhile the domestics have been preparing for increased competition in the luxury and near-luxury segments. Last month Ford Motor Co.'s Lincoln-Mercury Division introduced a redesigned version of its successful Lincoln Town Car. The new Town Car has a sleeker, more aerodynamic appearance than its predecessor. In addition it has a quieter ride, a new instrument panel, and standard air bags, and Ford hopes to replace its current 5 liter V-8 engine with a 4.6 liter V-8 next model year. The Town Car continues to be the most expensive car in Ford's lineup, with a base price starting at $28,000, and Lincoln hopes to sell 135,000 units in the 1990 calendar year, up from a projected 125,000 units this year.

Lincoln will also continue to offer its aerodynamically styled Continental and two-door luxury coupe, the Mark VII. The Continental will have a new grille for the 1990 model year, and Ford is hoping to redesign the Mark VII by 1993. Ford engineers say the new Mark VII coupe will be similar in ride and styling to the Japanese luxury coupes.

Cadillac will advertise the more powerful Sedan De Ville only in English, based on an analysis of its Hispanic customers.

The longer, more streamlined Buick Riviera incorporates improved ride and handling for 1990.

"My opinion is that [the luxury car market] is in a state of orderly evolution, rather than a dramatic revolution; people are growing into it rather than jumping," says Ross Roberts, vice president and general manager of the Lincoln-Mercury Division. "There has always been a lot of variety in the luxury car market and frankly there's starting to be quite a spread in price and quality," he adds. Perhaps reflecting this projected evolution, John Anderson, media coordinator for Lincoln-Mercury, says no special Spanish language luxury car advertising is planned for the 1990 model year.

The company is, however, making an appeal to Hispanic consumers with a new series of Spanish language advertisements for the Mercury Cougar and Mercury Topaz. Lincoln-Mercury's minority agency, Uniworld, is now planning print, radio, and television ads for the effort.

"It really has to do with the size of the [Hispanic] market and its car buying preferences. We see [Hispanic consumers] buying more mid-sized cars and small cars," says Mr. Anderson.

Cadillac, like Lincoln, is also hoping to protect its market share in the luxury car market. Cadillac was successful with a redesigned Fleetwood and Sedan De Ville in the 1989 model year and restyled the Broughham for 1990, adding a more powerful optional engine. Further the 1990 De Ville, Fleetwood, Seville, and Eldorado all received more powerful engines, and the Allante luxury coupe will be the first domestic car with traction control.

Cadillac plans to appeal to Hispanic consumers with English language advertising in both general and Hispanic media outlets. But, while the company has aired some Spanish radio ads in the past, a spokesperson for Cadillac's advertising agency—D'Arcy, Masius, Benton & Bowles (DMB&B)—says no such ads are planned for the 1990 model year. "We looked into [Spanish radio ads] but we did not determine a need [to continue]," says

a representative of DMB&B. "We found that people in the market for a Cadillac communicate in English and are influenced by general market advertising," the Cadillac spokesperson adds.

"For 1990 we will be communicating and building on a strong association with Cadillac and upscale life-styles...those which come with achievement," says Cadillac's Assistant General Sales Manager-Marketing Elias R. Torre.

"All of our communications—from television to print to our catalogs—are designed to reach those individuals who demand a higher class of features, amenities, and services when they purchase an automobile," says Mr. Torre.

General Motors' Buick Division is going after the near luxury market with several products. It introduced the Park Avenue Ultra, an upscale version of its Park Avenue, in January and enjoyed good sales success with a longer, sleeker Riviera in the 1989 model year. The Power research firm named the redesigned Riviera one of the top 10 models for 1989 based on a study of quality encompassing both imported and domestic cars. For the 1990 model year, Buick has improved the ride and handling of the whole Electra and Park Avenue series. The longer, sleeker 1990 Riviera received similar improvements plus a new instrument panel.

Jay Qualman, Buick's general director of advertising, says the company will not produce its own Spanish language advertising during the 1990 model year. Instead, the division will provide cooperative advertising funds to its advertising groups in markets with a high concentration of Hispanic consumers. These groups will tailor the advertising message, execution, and media selection to reflect different circumstances in the different regions, Mr. Qualman says.

Chrysler is also trying to grab a piece of the luxury car market with its redesigned Imperial four-door sedan for the 1990 model year. Chrysler has introduced a number of luxury or near-luxury cars to the market over the past five years, including the New Yorker Landau, Chrysler TC by Maserati, New Yorker Salon, and New Yorker Fifth Avenue.

Chrysler's New Yorker Fifth Avenue will be marketed through both English and Spanish print ads.

The Imperial will be Chrysler's luxury "flagship" sedan. The 1990 Imperial, which will bow in November, will be aimed at affluent buyers 55 years or older. It will be backed with a special "Crystal Key" comprehensive warranty program that covers almost every part of the car for five years or 50,000 miles. This Imperial has a redesigned exterior, a new U.S.-built 3.3 liter, V-6 engine (Chrysler previously bought all of its V-6 engines from Mitsubishi in Japan), and an air suspension system that will give the car a traditional American luxury car ride.

A report on automotive demographics by R.L. Polk & Co. indicates that 6.14 percent of Chrysler buyers in the 1988 model year were Hispanic, compared with 7.06 percent for all Chrysler Motors cars including Plymouth and Dodge. Carlos Montemayor, who owns the Texas-based advertising agency that handles Chrysler's Hispanic advertising, says the Fifth Avenue will be marketed through both English and Spanish print ads. The company will also run Spanish television ads for its Plymouth Laser sports coupe and Dodge Spirit mid-sized car, and magazine ads for the Laser, Spirit, Fifth Avenue, and Dakota.

Mr. Montemayor sums it up by saying, "Hispanics represent a $6 billion market for cars and trucks, and that market is hard to ignore."

WHERE DO HISPANIC CONSUMERS STAND ON THE LUXURY CAR BATTLEFIELD?

In marketing wars all segments are considered fair game, and those who know the $6 billion Hispanic automotive market believe manufacturers will increase their advertising budgets and model promotions to court it.

Roque de la Fuente II, a Lincoln-Mercury dealer and 25 percent owner of de la Fuente Cadillac in San Diego, says young affluent Hispanic consumers had been buying import luxury cars but are now slowly switching their preference to domestic makes. "As the domestics have brought their quality up to the level of certain imports, the tastes have changed," he says.

Mr. de la Fuente also believes the car manufacturers, especially the importers, have not recognized the growing Hispanic consumer market and have done little to court Hispanic dealers. "They don't recognize us as a force but they will eventually," says Mr. de la Fuente, who says the domestic manufacturers—notably Ford—have done a better job of appealing to Hispanic consumers than the imports.

Importantly, he adds, "There is no brand loyalty [among Hispanic consumers] to a certain car manufacturer. Everyone buys what they like." That may be news.

Percent of U.S. Luxury Car Sales to Hispanics in Model Year 1988

Model	Number of Sales	Percent Hispanic
Cadillac De Ville	36,734	4.78
Lincoln Town Car	25,537	4.37
Chrysler Fifth Avenue	10,932	6.88
Buick Riviera	1,825	7.34

Source: Report on automotive demographics by R.L. Polk & Co. to Univision Holdings, Inc. (by permission).

TRENDS

Contrary to Popular "Fact"

Is an ad spending winter upon us?

By D. Carlos Balkan

Listen. This is how *Inc.* magazine recently portrayed the growth prospects of Hispanic advertising expenditures in the United States: "Hispanic-targeted advertising is expected to jump 40 percent annually for the next five years." Too bad *Inc.* didn't disclose a source for that hot scoop. *Inc.* is not alone in spreading inflated and unsupported statements about the relationship between advertisers and Hispanic consumers.

The fact is that we may be seeing a gradual cooling off of advertising investments aimed at Hispanic consumers. This magazine's own efforts to establish credible parameters for tracking Hispanic ad expenditures indicate that the growth rate of Hispanic market advertising headed south in 1989 for the second year in a row.

Specifically, the growth of overall Hispanic ad expenditures dropped to a modest 6 percent in 1989, for the first single-digit advance since HISPANIC BUSINESS started tracking ad spending six years ago. Our annual list of Leading Hispanic Market Advertisers—those that spent $1 million or more in the Hispanic market—remained unchanged at 50 this year because the number of companies that exceeded our cutoff of $1 million was offset by the number that fell below that amount.

One of the few bright spots in an otherwise dull advertising year was radio advertising. Our data on changes in each medium's relative share of total Hispanic ad spending dollars show that the national and local radio markets combined have made some gains by comparison with 1988, and now command just over one-third of all advertising dollars. Other positive glimmers this year were in the print and promotion advertising fields, each of which garnered 0.8 percent more of the Hispanic advertising pie than it did in 1988. The only other relative gain was a 0.2 percent increase for independent TV.

So despite the robust trends projected by *Newsweek, U.S. News & World Report,* and others, advertisers are not drooling or falling over each other in a race to commit dollars to Hispanic advertising. This year all our indicators show that the market is softening, and this is probably so because the general economy is soft. Many major advertisers have been tightening their spending belts in anticipation of some kind of economic downturn in 1990. No one knows at this point if the Bush Administration's highly touted economic game plan for a "soft landing" is really in the cards. Retail business, real estate, and automotives remain soft spots on the consumer spending horizon.

Will this loss of momentum in ad spending hold through 1990? Much will depend on what happens on the Hill and at the Fed in the next six months. Corporate management may well be focused on federal budget and trade deficit indicators, figuring that such overall performance variables hold the key to what will happen in 1990. Advertising budgets depend on such vagaries of the marketplace.

D. Carlos Balkan is a freelance writer based in Santa Barbara, California.

Share of Advertising Expenditures in the Hispanic Market—by Medium

This table represents the market share of each medium by year as a percentage of the total advertising expenditures directed toward the U.S. Hispanic market. The media are placed into five groups.

	Percent of Total Expenditures					
MEDIUM	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**
National TV	16.9	16.5	16.1	21.2	22.4	20.5
National Radio	12.3	12.6	11.8	9.9	8.2	8.8
Group Total	29.2	29.1	27.9	31.1	30.6	29.3
Local TV	17.6	19.4	19.6	24.1	23.2	20.6
Local Radio	22.8	22.8	20.9	23.2	23.8	25.6
Group Total	40.4	42.2	40.5	47.3	47.0	46.2
Independent TV Group	7.0	6.1	10.6	*	0.2	0.4
Print Group	11.2	9.9	8.3	9.6	9.0	9.8
Outdoors	2.5	2.7	3.0	2.9	3.0	3.0
Promotion	8.8	9.0	8.8	8.0	9.3	10.5
Transit	0.9	0.9	0.9	0.9	0.8	0.8
Group Total	12.2	12.6	12.7	11.8	13.1	14.3
Grand Total (%)**	100.0	100.0	100.0	100.0	100.0	100.0
Grand Total ($M)	$284.5	$333.5	$398.0	$490.7	$550.1	$583.6
Annual Growth	27%	17%	19%	23%	12%	6%

*Telemundo consolidation temporarily eliminated the Independent TV category.

**May not total 100% due to rounding.

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INCOME

Hispanic Purchasing Power Keeps Growing Fast

The spendable income of U.S. Hispanics should reach $159 billion next year.

By Bert Valencia, Ph.D.

Hispanic purchasing power rose to $114 billion after taxes ($140 billion before taxes) in 1987, according to data released by the U.S. Bureau of the Census in October, 1989.

The Census data show that estimated Hispanic purchasing power increased by 12.1 percent in 1987, from an estimated $102 billion in 1986. That is nearly *twice* the U.S. populations overall growth rate of 6.8 percent, and significantly faster than the black population's 6.5 percent. Hispanics will surpass blacks in total purchasing power before the year 2000. Further, if the annual compounded growth rate of 11.6 percent achieved from 1980 to 1987 continues, U.S. Hispanics will have purchasing power of $159 billion next year.

Aggregate after-tax money income is considered a good basis for estimates of purchasing power because it represents disposable income available to buy goods and services. However, income estimates based on the Census should be considered conservative because respondents generally under-report their income and the Census undercounts Hispanics. Additionally, real Hispanic income should be a bit higher because a substantial number of households receive noncash government benefits that increase their purchasing power, such as subsidized housing, food stamps, and school lunches.

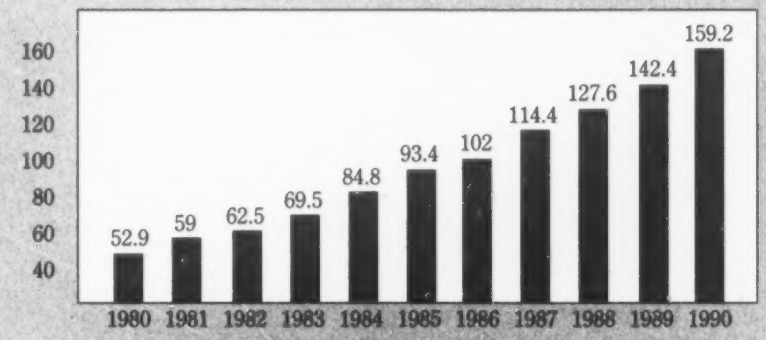
Moreover, Jorge del Pinal, Chief of Ethnic Statistics at the Bureau of the Census, suggests that two other factors should be considered in analyzing Hispanic purchasing power. First, a significant number of Hispanics participate in the informal labor sector ("cash jobs"), where earnings typically go unreported for official purposes but nonetheless add to the consumer's purchasing power. Also, many Hispanics are not as heavily burdened as the general population by fixed obligations (for example, house and car payments). This tends to increase their ability to purchase nondurable goods like food, beverages, and clothing. On the other hand, Dr. del Pinal adds, Hispanics remit substantial amounts of money abroad to relatives. The difficulty is in getting a handle on these factors. No reliable estimates exist on the extent of the Hispanic sector's informal earnings, fixed obligations, or money remissions abroad.

The Census Bureau's 1987 aggregate income estimate is the first to reflect the effects of two major laws passed in the previous year. One of these laws, the 1986 Tax Reform, was intended to reduce the tax burden of lower income households. According to Charles Nelson from the Income Branch of the Bureau of the Census, lower income households (under $30,000 in taxable adjusted gross income) paid less taxes in 1987 than in 1986. Additionally, the 1986 Immigration Law has afforded legal residency to many previously undocumented Hispanics who qualified for amnesty. An accurate count of how many Hispanics qualified for amnesty is not yet available, although most experts agree that between 2 million and 2.5 million Hispanics have applied.

The increase in aggregate Hispanic income during 1987 was owing to two factors. First, more Hispanics were working. The number of Hispanic workers in the civilian labor force increased by 465,000, partly because unemployment among Hispanics dropped to 10.2 percent from 10.6 percent in 1986. Both of these estimates come from the Current Population Reports (Series P-20, No. 431) issued by the Bureau of the Census. Second, Hispanic workers were making more money. Income growth adjusted for increases in the Hispanic labor force—"net" growth—is estimated at about $6 billion for 1987.

Some 9 percent of all Hispanic households—or about 500,000—had incomes of more than $50,000 in 1986, and we will see this emerging affluent class expand in the 1990s.

Hispanic Market Purchasing Power $ Billions



Sources: Data through 1987 based on unpublished Census Bureau reports; estimates for 1988 through 1990 by author.

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